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Government Guarantee Fund Annual Report 1995

Government of Finland

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Annual report 1995

1996

Vuosikertomus 1995

Valtion vakuusrahasto

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MANAGER'S REVIEW

The year 1995 was the fourth normal year of operation of the state guarantee fund. Key bank support decisions were made during the first and second year of operation. The support granted after this has been connected in one way or another to the implementation of decisions made earlier input.

The fund's support mandates last granted support in the spring of 1993. On the other hand, the support allocations set aside in the state budget were last used in March 1995, when Arsenal's equity was strengthened by FIM 8,000 million. This was the only support decision of 1995 that bound the bank support allocations.

After the end of the operating year, the bank commits ki support for strengthening Arsenal's own capital and possibly guaranteeing Skop's financing. There are no other significant bank subsidies in sight in the near future.

The fund's activities focused on the implementation of support decisions made earlier in 1995 and the downsizing of the operations of the banks that received support, as well as the monitoring and steering of the damage compensation processes initiated on the basis of special inspections. In addition to this, the fund has been involved in some key legislative projects. Of these, the ones I have been most concerned with were the limitation of deposit protection and the gradual downsizing of the fund's own operations.

The bank support system created in accordance with the Security Fund Act, which entered into force in April 1992, has been necessary to secure the stable operation of deposit banks and depositors' claims, as the assets of the banks' own security funds have been insufficient to deal with a banking crisis of the perceived magnitude. However, the bank support system is meant to be made temporary and the exit from it should be done as soon as the state of the banks and the national economy makes this possible. The provisions on state aid in the Treaty establishing the European Community also require that the bank support system is temporary.

The banking sector has been operating at a loss since 1991. At that time, the amount of credit losses began to rise as unemployment increased and corporate bankruptcies increased. The economic recession was exceptionally deep in our country. And accordingly

banks' losses were relatively higher than in other Nordic countries. After 1993, the results of the banks have improved primarily due to the decrease in credit losses due to the recovery of the economy as a joke.

However, the improvement in the profitability of the banks has been slowed down by the weak development of profits, low demand for loans, intensified competition and the delayed effect of cost cutting on profitability. Banks' investment in cutting costs and increasing efficiency is gradually producing favorable results together with the recovery of the country's economy. The banks are expected to reach a positive result in 1996. However, the solvency of the banks has strengthened with more results and earlier in time. At the end of 1995, the calculated margin of equity was more than FIM 14 billion for the entire banking sector, and more than FIM 10 billion from commercial banks.

The improvement of the banks' solvency, together with the banks' profit prospects and the outlook for the country's economy, has made it possible for the government to submit a proposal to parliament in March 1996 to amend the law on the state guarantee fund. The presentation is the first step in dismantling the bank support system. The dismantling must be carried out in stages so that in the first stage the organization of the fund is run down.

For the remainder of the year, the closest supervisory and administrative tasks are to be transferred to the Ministry of Finance's administrative branch. Therefore, decision-making in matters according to the Guarantee Fund Act is centralized to the Government.

Three years have passed since the fund's current administrative and organizational model was created. It was assumed that the current organization was needed for three years. It's time to thank the people and partners who were involved in handling the banking crisis for so far. Above all, however, it is time to bring success to recovering Finnish banks.

in Helsinki on January 26, 1996

Liisa Halme
deputy manager

BOARD OF DIRECTORS

ACTION REPORT

The operating environment of banks in 1995

The state of Finland's national economy improved during 1995. Total production growth continued, but slower than in 1994.

The current account also strengthened even more. Inflation remained low and money market interest rates fell towards the end of the year. Markka stayed out of international unrest and its course developed steadily. However, unemployment remained high.

Inflation was 1.0% in 1995. In 1994 it was 1.6%. In December, consumer prices rose by only 0.3% compared to December 1994. The corresponding inflation in EU countries was 3%. Inflation the low was mainly the result of the drop in food prices and housing costs. The increasing factor was mainly taxation.

Thanks to the moderate salary solution, domestic cost factors did not increase substantially. The strengthened mark and the weakening of the dollar they, in turn, curbed external cost pressures. On the other hand, this development partly weakened the competitiveness of the export industry and the profitability of exports, especially when world market prices

settled for a decrease in several export products. The value of the mark increased compared to the ecu in 1993 from the lowest level to the highest value of 1995 27.5%.

Boosted by exports, the trade surplus improved by FIM 7 billion from last year, being 41

billion marks. The growth of exports of goods and services was 8% and it was 5 % units slower than in 1994. In addition, foreign

the accelerating import of goods and services weakened the trade ratio in towards the end of it. The current account surplus was FIM 19 billion.

Total production grew by 4.4%.

The growth came almost exclusively from the country's industry and industries closely related to it.

The metal industry continued to grow, but the production of the forest industry in turn decreased. Industry and private consumption also increased the sales of the service sector, especially wholesale. Housing production continued to decline, but repair activity increased somewhat.

The prices of old apartments continued to fall, which was reflected by construction companies

to the ability to build new apartments with a sustainable margin. Apartment building was mainly based on government-subsidized housing production.

There were 478,200 people unemployed at the end of the year, with an unemployment rate of 19.6%. During 1995, unemployment was at its lowest in May, when there were 448,195 unemployed people, with an unemployment rate of 17.8%. Industry, especially the metal industry, was mainly responsible for employment.

The forest and metal industry exceeded the previous year's record result, especially the metal industry continued its strong performance towards the end of the year as well. The profitability of domestic companies improved slightly.

The deficit of the central government decreased by one billion marks to 64 billion marks. The government's debt was at the turn of the year 359 billion marks and it was 65% of GDP. In 1994, the debt was FIM 308 billion and it was 60% of GDP.

The share exchange for the stock market year increased to FIM 83 billion, which is an increase of 20% from the previous year.

However, the Hex index fell by 7.7 % since the beginning of the year. The index rose and fell largely in sync with Nokia. Nokia was the most traded company of the year, whose shares traded up to FIM 40 billion. Share issues remained at FIM 2 billion from the previous year's FIM 10 billion. The industry index for banks and finance fell by 7.5 % during the year.

The real estate rental market picked up, but actual sales, especially for large properties, continued to be weak. Apartment prices continued to fall, and at the same time the price difference between new and old apartments increased.

Interest rates, especially long interest rates, came down rapidly from the level at the end of last year. The long interest rates were one year at the end, approximately 3% units lower than in December of the previous year. Difference to foreign currencies has also shrunk.

The Bank of Finland eased monetary policy several times during the year at the end, by lowering the commercial interest rate fourfold to 4.25% and the basic interest rate twice to 4.75%. At the end of the year, helicopter interest rates were below 5 % **across the board**.

Banks' market credit portfolio decreased 8 billion marks to 263 billion marks. Foreign currency loan base decreased by FIM 13 billion to FIM 34 billion.

The contraction of foreign currency credits is mainly the result of the strengthening of the mark

and companies' desire to convert foreign currency loans into mark loans. The high real interest rate, the slower-than-expected recovery of consumer demand in the domestic market, and the desire of companies to finance investments with income financing kept the demand for business loans low. Households' uncertainty about the future, unemployment and the debt problems of previous years kept households' credit capacity low. Instead of home loans, households were increasingly asking for small renovation loans.

The number of deposits, especially checking and current accounts, continued to grow. Deposits totaled FIM 306 billion, which is FIM 17 billion more than at the turn of the previous year. To Markkanta

growth in relation to markkaluots it continued. Mark deposits were FIM 291 billion, which is FIM 28 billion more than FIM loans.

The difference between the average interest rate on market loans and the average interest rate on market deposits at the end of the year, the difference was 4.76% units. In the previous year, the corresponding difference was 4.91%.

The operational loss of the entire banking sector also decreased in 1995.

The financial margin decreased by FIM 1,300 million to FIM 12.4 billion compared to 1994.

This was the result of a weak credit from demand-induced credit

nan's bill. Banks have had to invest their increased mark deposits in the growing extent to other instruments than a traditional loan.

Other income decreased by FIM 400 million to FIM 8.2 billion.

Other expenses fell by FIM 900 million to FIM 15.5 billion.

Credit and guarantee losses decreased even more. 6.2 billion marks were created, which is a drop of 44 % from the previous year.

The banks' operating loss was FIM 2.8 billion, which is 5.9 % less than last year in the year.

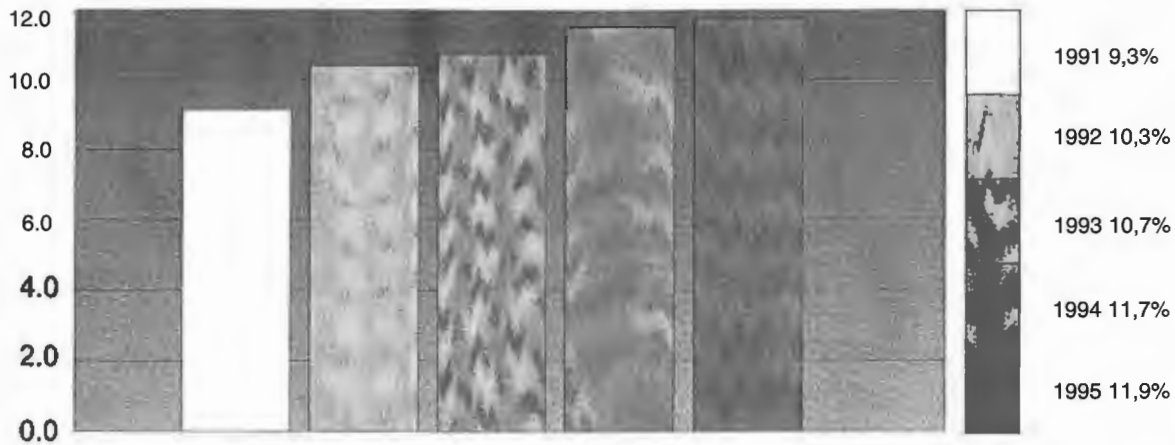
The amount of banks' non-performing loans decreased by FIM 5.1 billion to FIM 20.3 billion.

The contraction was mainly a consequence of recorded credit and guarantee losses.

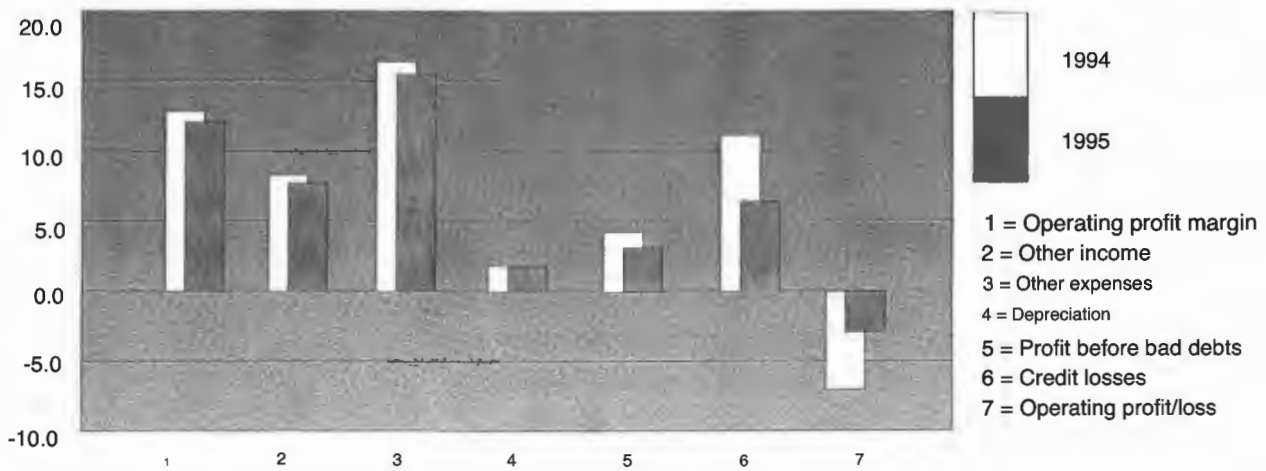
The balance sheet total of the banks decreased by FIM 51.2 billion to FIM 616.6 **billion** .

The banks' solvency was 11.9 %. The decrease in the liability base improved the banks' solvency more as the unprofitability of the business made it worse. In 1994, stable the asset was 11.7%.

Banks' solvency, %

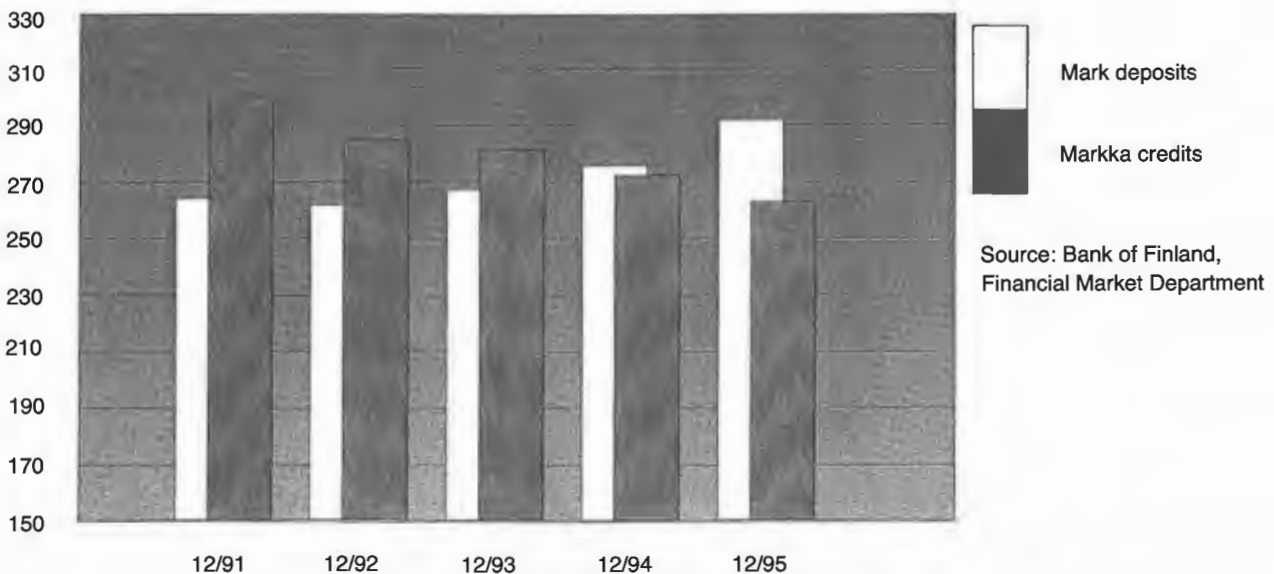


The banks' results in 1994 and 1995, billion FIM



Includes domestic deposit banks, eg Siltapankki and SSP.

Bank deposits and loans, FIM billion



Source: Bank of Finland, Financial Market Department

The essentials of support activities

events in 1995

Center for Savings Banks Share Bank (Skop)

During the spring of 1995, the fund neu argued with several parties about the sale of Skop's healthy credits and some of the bank's subsidiaries. Due to Skop's financial position, it was considered that Skop had no chance of recovery to the extent that the bank's result would have turned positive. On June 2, 1995, the State Council approved the contract negotiated by the fund - the one with which Skopi's operating credits and guarantees, as well as the shares of Teollistamisrahasto Oy and Skop finuinuu Oy, were sold to Svenska Handels han kens with a capital amount of FIM 4,400 million. Suomen Kiinteistöpankki Oy and Aktiiviraha Oy were also part of the subsidiaries' business.

The transaction was a necessary measure to minimize bank support, rationalize Skop's operations and make the entire banking system more efficient.

Skop is planned to be amended later in accordance with the Guarantee Fund Act sex into an asset management company.

The State Guarantee Fund owns 52.91% of Skop's shares and 63.59% of the votes. The Arsenal Group owns 42.32% of Skop's shares and 34.98% of the votes.

Property management company Arsenal Oy (Arsenal)

The amount of assets and liabilities transferred to Arsenal is a total of FIM 16,000 million in customer liabilities, FIM 11,500 million in real estate assets, FIM 7,500 million in balance sheet loan receivables and FIM 4,000 million in other balance sheet items. The total amount of property transferred, 39,000 million Danish kroner, corresponds to the original estimate.

On March 23, 1995, the State Council approved Arsenal's additional equity application of FIM 8,000 million and decided that the state would subscribe to the company's shares for FIM 500 million and make a reserve fund payment of FIM 7,500 million. After the decision, the state owns 77.75% of Arsenal's shares and the fund 22.25%.

Arsenal bought SSP's so-called separate follow-up fund! and both

From Kansa Ilis-O sake Bank, Posti pankki Oy, Suomen Yhdys pankki Oy and cooperative banks at a purchase price of FIM 724 million. Separate scurantia batches had been formed from those SSP balance sheet items that had not been transferred to Arsenal or the buyer banks. In accordance with SSP's business creation agreement, SSP

upon liquidation, the fund receives 80% of SSP's assets and the buyer banks a total of 20%. The distribution of SSP's property in accordance with the handover agreement was carried out by the sale of separate tracking lots.

At the end of 1995, the amount of public support paid by Arsenal was FIM 19,000 million, and in addition to this, up to FIM 28,000 million was originally reserved for fundraising. On September 14, 1995, the Government changed the framework program of the guarantee given to Arsenal so that FIM 2,000 million was transferred from the guarantee limit in favor of Arsenal's subsidiary SSP, which was transformed into an asset management company.

Arsenal are estimated to need capital support still in 1996 no more than FIM 4,000 million.

Asset management company ö Arsenal-SSP Oy (SSP)

The State Council decided on November 16, 1995, based on the proposal of the fund's management, that the SSP be changed in accordance with the provisions of the Guarantee Fund Act into a second asset management company. SSP started its operations as an asset management company on December 1, 1995. The change does not cause an additional burden on the state economy.

In 1995, SSP 's parent company Arsenal strengthened SSP's equity three times by a total of FIM 5,500 million.

At the end of 1995, the amount of public support that SSP received was FIM 7,961 million, and in addition to this, the above-described guarantee of FIM 2,000 million from Arsenal has been transferred to SSP.

Property management company

**Arsenal-Silta Oy
(formerly Siltapankki Oy)**

The State Council decided on November 16, 1995, based on the proposal of the fund's management, that Silta pankki Oy be converted into an asset management company in accordance with the Security Fund Act. At the same time, the State Council approved the purchase of the shares of Silta pankki Oy owned by KOP for a total of one mark for Arsenal. Silta bank started its operations in asset management

as a limited company on 1 December 1995.

The aid granted to Siltabanki is originally in the amount of 3,036 million marks. It is estimated that 800 will be recovered from the granted support million marks.

Available funds and their use

Distribution of bank support and key support measures in 1992 - 1995 can be seen in Tables 1 and 2.

Entered into force in March 1993 15,000 was set aside in the state's first supplementary budget in connection with the amendment to the Guarantee Fund Act an allocation of one million marks and a guarantee authority, which, together with the support allocation, could not exceed 20,000 million marks.

In the fourth supplementary budget, the purpose of the appropriation was changed so that the funds could also be used, for example, to subscribe for the shares of an asset management company and to cover expenses arising from the company. At the same time, the amount of money was changed to three years as allowance. Guarantee authority

was increased in the fourth supplementary financial estimate so that it, together with the guarantee authority and commitment authority, may not exceed 35,000 mil junio mark or together with the amount of money, however, at the most 50,000 million marks.

In the 1994 budget, the amount money was increased by 10,000 million marks. The number of guarantees, guarantees and other commitments may be with a capital amount of up to FIM 35,000 million together with similar commitments given in 1993 or together with the relevant section of the financial estimate

and from subsection 28.87.51 of the first supplemental assessment of 1993 with the other aid granted, a maximum of FIM 60,000 million.

Of those allocated to the state budget 25,000 million marks from the allocated funds and 35,000 million marks

of the guarantee powers was from 1995 at the end, 3,800 million FIM appropriations and 3,000 million FIM guarantee powers remained.

An annual appropriation is set aside for the fund's maintenance expenses and to fulfill other commitments tion budget. Collateral according to section 15 subsection 2 of the Hasto Act; "If the funds of the fund are not sufficient to pay off the loans it has taken and their interest and other expenses to be paid from the loans or to fulfill the guarantee obligations of the fund, the missing amount from the state budget will be paid

with the money". The fund has the appropriations set aside in the budget for the execution of the aforementioned expenses as follows:

1992	FIM 180 million 1 80
1993	million FIM 1,540 million
1994	FIM 300 million FIM 800
1995	million
1996	

About the appropriations for 1994 and 1995 the amount allocated to the budget is three-year transfer allowance.

The fund raised 1,281.5 million FIM in 1993, 124 million FIM in 1994 and 400 million FIM in 1995. FIM 1,016 million of the 1994 transfer appropriation has not been used.

The appropriations for the years 1995 and 1996 are completely unused.

JULKINEN PANKKITUKI 12/1995 (netto, mmk)

	Suomen Pankki	Valtion talousarvio			
		Valtion pääoma- sijoitus	Pääoma- todistus	Osake- ym pääoma	Takaus/ takuu
Kick	9 832 1)	580	800		90
Sä estö banks		160			
OHY Arsenal Oy				17 44'2	26 000
OHY Arsenal - SSP .Oy				250 4)	2 000
Savings bank group	9 832	740	800	17 692	28 090
EYE		422			
Osuuspankit		1 108			
Cooperative banks guarantee fund					(900) 3)
Osuuspankkiryhmä yht.		1 530			(900) 3)
Postal Bank		903			
Merita Bank		3 475			(2 800) 3)
OHY Arsenal - Silta Oy					
Other banks in total		4 378			(2 800) 3)
In total	9 832	6 648	800	17 692	31 790
Shop and PSP's security deposit					
IN TOTAL	9 832	6 648	8000	11692'	31 790
Bank support and interest expenses					

1) SP's support in the situation on 31

December 1995 2) Estimate by 12/1995

3) Government decision in principle on guarantee/guarantee

The guarantee/guarantee has not been implemented 4) Loss

realized on SSP Oy's shares 5) Coverage of SSP's pension

liability and vo, the share paid to the couples from the separate follow-up

installments in accordance with SSP's handover agreement 6) Purchase of

Skop's Luxembourg subsidiary Skopbank International SA and London

subsidiary FennoScandia Ltd for VVR

syksy 1990	SP's akainti... Skopin... health, yhtiö program for Skopi	SP olti Skopin hallintaa...	Skopin pääyö...nari...koroti...kseen	
keuhk 1991				
19.9.1991				
	SP's holding companies bought \$100 million of most notably stock and real estate investments, and the majority of Jampella's investment. VM's general management, creditworthiness verification			16 182
1992				
	ins...t...v1oclen"app...un in me.rane) \Valho			7 742
30.4.1992	insurance company office (us...yhtiö...)			
15.6.1992	The purchase of Skop shares' capital gains	Stuoncn Panxiña Tu.kiJ.itna		1 500
2Q.6.1992	Sääyöpar...kier: Insurance, ihaystole and fokus SSP's liability deburll		uurille	7 200
11.11.1992	The mu.utgminen v...st...t...u...gebydriver of the SSP scan in order to mark the luk...la1na11			
18.12.1992 22	converter of the SSP + tak...öen lo...puOS...n...91		intam...n...öen jugh mäto...h...s...k...k...s...f	
12.12.1992 30	Skbpir(...V...P...äätos			1 500
12.1992	SS P...h tukij...ii...itös			4 700
23.2.1993	\ \ N' R...l...iki...i...m...utenifr			
8.4.1993	STS'h iukipäälös.			3 036
	Liiv(banks' security deposit...as...op beware first...sino vTilt is foj collateral #5hagto ..			-357
in. 4.19.93	SSP's conclusion			-1 100
24.11.1993	ýthe buttress of the booth			-700
1.7.1993	KOP as part of STS system 75 mmk SSH support decision: yProvisional			
19.5.1993	decision regarding ...'s capital acquisition period SYP. In the context of the			1 000
19.8.1993	purchase of Unitak 's capital, SSP's operation, the shares were sold to KOP			(1 800)
19.8.1993	cooperative banks, PSP already SYP'.llc			(1 000)
22.10.1993				-5 600
	Decision in principle . On the establishment of an asset management company			(28 000)
18.11.1993	and SSP's asset management company Oy Arsenal Ab 's decision regarding the			5 000
1a: 1...1993	guarantee of the principal interest of OVR			(900)
2.12.1993	VVR founded y 4.-12.1993 a limited liability company (Res.olution companies), which bstival Ský...pin			
	1... lives happy ownershipy			
	Ormistusjmystelyssfi was not carried out for money. but it bound the power of the stateutta nojn			-350
22.12.1993	Skopin tukipäälös			350
31.12.1993	The Savings Banks' Guarantee Fund shortened the subsidy			-345
11.5.1994 11	granted by P.Mitö...ttfik<5 to Omaisuudenhoitoyhtiö / Arsenal Oy's loan, to which the SSP's pi-iioma was			28 000
June 1994	returned..			-686
7.7.1994	SS_P's pension liability kattarin11 Sale			232
24.8.1994	of SSP Öy to Omc1isuucJenhoidoyhUö Arsenal, Oy			
9.1994	Arsenal Oy, support decision			6 000
30.9.1994	VVR bought from Skop its Turkénburg subsidiary, also the guarantee headquarters of Skopbank			118
24.11.1994	International SA's Onwisuqdmhoitoyht iö Arsenal Oy.			
2.8.12.1994	VVR bought Skqipir of Fe:1110Scamlia \:ld of its London-based tyärbank from ""Skop.			138
30.12.1994	support decision			450
-> 31.12.1994 ->	Repayment of VVR's Resolution-company's loans and course credit, external insurance, and support			-174
31.12.1994	for the withdrawal? for SP (relatively speaking)			-6 350
	Change of the guarantee capital of Omaisuudenhoitoytio Arser1al Oy koroif qsgl)ja Orn.hoitoyht.			
y2fW15;	Arsen11 Oy bought SSP's erHUsseura11taYräl From VVRll and vo-banks with 724 mrnk Omaisuudenhoitoyt1tiö			-579
9.2.1915	Arsenn1 Oy's support päätö.s			8 000
yü 11y5<	VVR...ll RGsolutiön-ytiCyij:1uu(ty t:11 lyli.ej111yf Skop's			-20
	healthy credit and guarantee base and the sale of shares in Teollistamisrahasto Oy jB Skop-			
	Rahottis oy: With Svenska Handelsbankenj			
it y... 1cY1H9V	Savings Bank's V<1mu'iräysto paid the remainirtg 0:00 of the tuk la nall tAk;itö to WR- Silt; pankki Oy,			155
5	niynti Omaisuus1fanhöitoyhtiö Arsenal Oy fle			
11.11.1994	Sillapankki Oy and SSP Oy became Ot1181SL1L.Y'dcm11oilyhtöikyi			
	Ornisuudenhoitoyht1ö Arsenal Oy's 28,000 mrnk:r'1 of the government's fixed mortgage was			
	transferred to a 2,000 mrnk asset management company by changing SSP :lie VVR's Resolution-			
-> 31.14.1995	superior111 operationö .-extract_effect Total paid support			-8
				50 876
	..Täkaukset pehaatepäälöksen takauksista			31 790

Lawsuits

Visits to the right to compensation for damage

Given from the state guarantee fund on the basis of special inspections in accordance with § 14a of the law, it was decided at the end of 1993 to file claims for damages 25 Suomen Säästö in the savings bank that merged with the bank, the Central Division of Savings Banks and the former STS At the bank. By the end of the reporting year, verdicts have been handed down for a total of nine banks.

Regarding two of these, a court of appeal decision has also been received.

Damages of FIM 173 million were sought from the former management of ST S Bank (now Asset management company Arsenal-Silta Oy) in the Helsinki district court. The court issued its decision on January 17, 1995. In its decision, the court obliged the members of the bank's former board of directors, with the exception of the two deputy members, to pay the bank a total of FIM 26 million in damages, as well as a part of the plaintiff's legal costs (FIM 2.4 million) partially jointly and severally. Compensation is determined by the court reasonably based on the Torts Act. One of the defendants was satisfied with the given solution and compensated the amount of damages awarded according to the main chapter and oh

summer travel expenses. The other defendants appealed the matter to the Court of Appeal, which gave a verdict on the matter on 23.10.1995. According to the judgment, the district court's decision was not changed and the defendants were obliged to compensate the plaintiff for the legal costs of the change application phase, a total of 75,000 FIM. The convicted defendants, with the exception of one, have applied for permission to appeal from the Supreme Court.

Säästöpankkien Keskus-Osake Pankki's former management is seeking damages of around FIM 3.5 billion. During the year under review, proceedings at the Helsinki District Court have ended and the final judgment in the case will be given on 15 February 1996. The document content of the case has been declared secret for 15 years.

Suomen Säästöpankki - SSP Oy's former management and board of trustees of the banks that merged into SSP Oy were asked for damages of approximately FIM 2.4 billion. As the proceedings against the former management of the savings banks progress, there are a few lawsuits surrendered as well as compensation claims quantities specified. Waiver of lawsuits has mainly been related to situations where it is not sufficiently possible to show that the credit decision was made

would have caused damage. Compensation the details of the amounts have been connected to the detailed calculations of the collateral values. Narrative years during the period, most of the lawsuits were in written preparation. A lawsuit by several interim decisions have been issued regarding procedural issues. One decision Jukuunottama's arguments of the respondents have been rejected. With regard to the four sets of claims, the written and oral phase of the district court has ended and the claims await the judgments of the district court. By the end of the reporting year, judgments have been issued as follows:

The former management of Päijät-Hämeen Säästöpankki was demanded damages of 7.9 million marks in the Lahti district court. The court gave its decision on June 22, 1994, rejecting the lawsuits completely after a vote of 2 - 1, and obliged the plaintiff to compensate the defendants' court costs with approximately 220,000 marks. The plaintiff has appealed the matter to the Court of Appeal.

In a separate lawsuit related to Southwest Suomen Säästöpankki, you sought 30 million marks in damages from the bank's former CEO at the Salo District Court. The district court obliged the defendant to compensate a total of 1 mii-

Joona mark, but the Court of Appeal increased that in its judgment on April 28, 1995 amount of compensation to a total of 29 million Joona marks. The defendant has applied for leave to appeal from the Supreme Court.

About 5.5 million mark damages were sought from the former CEO, bank manager and chairman of Kuhmo Säästöpankki in the Kajaani district court. The district court ordered the former CEO to compensate the country's bank with a total of approximately 2.2 million FIM, of which the other two defendants must jointly pay approximately 733,000 FIM

In addition, the defendants were jointly and severally obliged to compensate the plaintiff's legal costs with approximately FIM 185,000. That's all the defendants have appealed against the sentence.

Damages of approximately 15 million marks were sought from the former CEO of Etelä-Kymin Säästöpankki, the board of directors, the branch manager and the Karhu local government, a total of 17 people. The plaintiff waived the claim during the hearing for the three defendants. In its judgment of June 1, 1995, the Kotka district court dismissed the lawsuits in all respects and ordered the plaintiff to compensate the defendants' legal costs with approximately 1.85 million marks. They have appealed against the sentence

the plaintiff as a whole and the defendants to the extent that their court costs were not ordered to be reimbursed in full.

The former bank managers and board members of Heinola Savings Bank, a total of 11 people, were asked for compensation of around FIM 25 million. During the trial, the plaintiff withdrew the claim against two defendants. In its judgment on July 31, 1995, the Heinola district court ordered the bank's CEO to pay the plaintiff approximately 7.3 million marks as compensation for the damage caused to the bank. The bank's former board members, a total of 6 people, oblige you to contribute to the aforementioned compensation

for completion jointly and severally with FIM 1 million. One member of the board was obliged to participate in the payment of the compensation, jointly responsible for the compensation of the others with convicts at 800,000 marks. In the case of one defendant, the lawsuit was rejected and the plaintiff was obliged to compensate his legal and confiscation costs totaling approximately FIM 55,000. One other's left

as for the plaintiff, the lawsuit was withdrawn only at the main hearing. The district court held that the plaintiff is obliged to compensate his trial and confiscation costs totaling FIM 264,000. Otherwise, both

the plaintiff's and the defendants' claims for court expenses were rejected. Both the plaintiff and the defendants sentenced to damages have appealed the verdict to the Court of Appeal.

The three former CEOs and 10 board members of Mäntsälä Säästöpankki were required to pay damages of 3.7 to 42 million marks. The lawsuit was based on a total of 53 credit decisions that caused damage to the bank, of which two

21 were approved for the CEO and 10 for the members of the board of directors.

the directors caused damage to the bank of approximately 21.7 million FIM, and the liability of the board members was considered to be approximately 7.2 million FIM. The punitive damages were negotiated in such a way that the two managing directors were obliged to compensate 10% and the board members 5% of the amount considered their responsibility. As well as

taja that the defendant's trial tiku\claims were dismissed. The lawsuit was also completely dismissed by the bank's former acting director. regarding the managing director and the plaintiff was obliged to compensate his court costs, a total of approximately FIM 570,000. As for the acting CEO, the judgment was upheld, but in other respects the plaintiff and the defendants are appealed the verdict to the Court of Appeal teen.

About 4.6 million marks in damages were sought from the former manager of the Salla branch of Northeast Finland Savings Bank. In its judgment of 27 October 1995, the Rovaniemi district court ordered the defendant to compensate the bank for the damage caused by FIM 900,000. In other respects

the suit was dismissed. The district court ruled that the legal costs remain to be reimbursed by the parties. Both the plaintiff and the defendant have appealed the verdict to the Court of Appeal.

39.1 million marks were demanded from the former CEO of Kivijärvi Savings Bank and 38.4 million marks from the five board members

damages of marka. The district court of Saari Järvi ruled in its judgment on 30 October 1995 that the defendants are jointly and severally liable to pay compensation to the plaintiff in the amount of FIM 37,666,000, of which the former CEO's criminal liability

the share was FIM 21.1 million. Reduced by the subsidy provided by the Savings Banks' Guarantee Fund after that, the defendants' jointly liable amount of compensation remained FIM 7.8 million. After the mediation, the civil and criminal compensation liability of the former CEO remained at FIM 6 million. The joint and several liability compensation amount of the other defendants with the former CEO is FIM 1 - 2 million. In addition, the defendants are jointly and severally obligated to pay the plaintiff's legal costs of approximately FIM 291,000. Both the plaintiff and the defendant have appealed the verdict to the Court of Appeal.

Preliminary investigation and prosecution

The preliminary investigation has been carried out during the past year in Finland Säästöpankki - merged with SSP Oy in that bank. Charges have been brought against eight savings banks.

On June 27, 1995, the Saarijärvi District Court sentenced the former CEO of Kivijärvi Savings Bank to one year and two months in prison for 56 crimes of dishonesty and two crimes of abuse of a position of trust that occurred in 1989 and 1990. Imprisonment

the sentence is conditional. In addition

the managing director was sentenced to pay an additional fine of 3,000 marks for 100 days. Still he was sentenced to replace the court costs of FIM 70,000. The defendant has appealed the verdict to the Court of Appeal.

On September 6, 1995, the District Court of Tornio dismissed the charges against the former branch manager of Tornio Laakso Säästöpankki for the crime of abuse of trust, because the right to prosecute was particularly limited for one year. expired due to the statute of limitations. The interested party has appealed the verdict to the Court of Appeal.

On October 31, 1995, the Ylivieska District Court sentenced the former CEO of Keskipohja Regional Savings Bank, Taj, to one year and 4 months in prison for six crimes of dishonesty and 14 abuse of a position of trust and accounting crime. Former reserve of the bank

the CEO was sentenced to a six-month suspended prison term to the punishment and to pay an additional fine of 600 marks for 30 days in total. Both of you are also obligated to compensate the plaintiff's legal costs. The charges against the bank's former bank manager were dismissed in their entirety. Those several defendants have appealed the verdicts to the Court of Appeal.

On 21 December 1995, the Hyvinkää district court convicted the former managing director of Kanta-Uudenmaa Säästöpankki 83 for the crime of misuse of a position of trust, violation of the right to collateral, gross fraud of the debtor and five counts of forgery

therefore a total of 1 year and 4 months in prison. In addition, the former bank manager was sentenced to 4 months for violating the right to freedom of expression for a period of suspended imprisonment. The defendants have appealed the verdict to the Court of Appeal.

On June 1, 1995, the Helsinki district court ruled that the charge of two crimes of dishonesty against the branch manager of the former Helsingin Suomalainen Säästöpankki company had expired. In its judgment of 22 December 1995, the Helsinki Court of Appeal overturned the judgment of the district court and returned one of the two charges to the district court for retrial.

The Court of Appeal still left the second charge unexamined. That's about it the petitioner has applied for leave to appeal from the Supreme Court.

Regarding the former management of Säästöpankkien Keskus-Osake Bank, 13 cases were submitted for preliminary investigation. With respect to six, Skop withdrew the request for bail, because further investigations showed that there were no grounds for presenting the request for prosecution. Regarding one case, Skop submitted a request for prosecution, but the prosecutor made a decision to drop the charges. With regard to the three credit entities, if the bank's right to prosecute had expired, the case was reported to the prosecutor for consideration of measures.

In December 1995, Skop received a notice from the public prosecutor's office, according to which the above-mentioned three cases are not

na cause for preliminary investigation.

Regarding the other three remaining cases, investigations continue.

Administrative bodies

Supervisory Board
1.1.1995 - 29.3.1995

Pentti Mäki-Hakola
chairman, Member
of Parliament

Jussi Ranta
vice president,
member of parliament

Oavi Ala-Nissilä
Congressman

Jörn Donner
Member of Parliament

Tuulikki Hämäläinen
MP

Mauri
Miellins'n's landlord

Tellervo Renko
MP

Esko Seppänen
MP

Paavo Väyrynen
MP

Supervisory Board
29.3.1995 - 31.12.1995

Sauli Niinistö
Chairman
Member of
Parliament (until 21 April 1995)

11 kka Kanerva
chaired. Member
of Parliament
(from 28 April 1995 onwards)

Matti Puhakka
vice president,
member of parliament

Olavi Ala-Nissilä
MP

Tuulikki Hämäläinen
kansanedustaja

Anneli Jäätteenmäki
Member of Parliament
(April 28, 1995 high school)

Johannes Koskinen
MP

Maur Pekkarinen
kansanedustaja
(from 28.4.1995 onwards)

Kimmo Sasi
Member of Parliament

Esko Seppänen
MP

Matti Vanhanen
Member of
Parliament (until 25 April 1995)

Paavo Väyrynen
People's
Representative (until 25 April 1995)

Management

Pekka Laajanen
chairman until March 30, 1995
legislative director

Matti Vuoria
vice chairman until 30.3.1995
chairman from 30.3.1995 chief of
staff

Deputy member
of Sixten Korkma until
3.5.1995 member 3.5.1995 -
2.6.1995 deputy director Taj a 2.6.1995 - 31.
8, 1995 senior director

Auni-Marja Vitavaara
member 31.8.1995 -17.11.1995
vice-chairman including 17.11.1995
senior board secretary

Veikko Jääskeläinen
member of the board until March 30,
1995, principal

Pertti Kettunen
Professor

Eva Liljebloom
deputy member until 30.3.1995
member from 30.3.1995 onwards
assistant professor

Professor of
Pentti Talonen

Substitutes

Antti Lehtinen
CEO

Professor Heikki
Niskakangas

Tytti Noras
3.5.1995 read
legislative advisor

Lena Sisula-Tulokas
assistant professor
since 30.3.1995

Jooko Ylä-Liedenpohja
Professor

Expert members of
the board of directors

Jorma Aranko,
director

Pete; Nyberg
until May 3, 1995
advisor to the board of the Bank of Finland

Heikki Kosk
enkylä from 3 May
1995 advisor to the Board of the Bank of Finland

Deputies of experts

Reto Määttänen
assistant manager

Heikki Solttala
vs tonistopäälikkö

Auditors

Chairman of
Kauko Heikkinen

Arja Alho
Member of
Parliament (until 21 April 1995)

Johannes Leppänen
MP

Arvo Polvi
Member of Parliament, JHTT HTM

Model Saarinen
Member of
Parliament (from 28 April 1995)

Matti
Tiuri MP

Kalervo Virtanen,
auditors' secretary,
professor, KHT

Tilinpäätös

Tilinpäätöksen laatin ja vahvistaneet

Hopea1..

Tilinpäätös on laadittu valtion vakuuksien ja sijoitusten osittain sovellettyinä osin joko kirjallisten tai valtion hallinnossa noudatettua käytäntöä.

TULOSLASKELMA

	1.1 - 31.12.1995	1.1. - 31.12.1994
Tuotot ja kulut:		
Korkotuet	5 482 618,09	9 039 330,68
Korkotuet muusta rahastuksesta	88 928 000,00	93 499 000,00
Muut korot	90 183 154,20	78 904 145,36
Myyntivoitot ja muut rahoitustuotot	448 535 832,30	252 755 175,20
	<u>633 129 604,59</u>	<u>434 197 651,24</u>
Korkokulut	- 1 858,29	- 1 531 494 143,18
Muut rahoituskulut	- 56 148 565,15	- 26 873 701,79
Course differences		162 138,79
Surrender loss and c of capital certificates and support activities	- 5 275 340 381,15	-
rvonlennukset ja osakkeista	- 123 005 384,99	- 408 012 607,82
	<u>- 6 211 508 189,58</u>	<u>- 1 966 218 314,00</u>
Tuotot alijäämä	- 6 088 378 584,99	- 1 532 020 662,76
Valtion korvaus lainanhoitoon	400 000 000,00	124 000 000,00
Annual payments	64 204 519,70	69 021 675,41
Hallintokulut:		
Palkat ja alkiot	- 3 379 883,34	- 4 450 635,89
Ses1aalk AJL Yu01<Mt	- 957 755,79	- 1 234 515,93
	- 796 000,00	- 906 320,00
Ujkopt0h_se pat lvelut	- 259,59	- 1 943 606,33
Kb:n y-äik-alueit uij! ohankinnat	-	- 16 676 543,96
MträJinty k-ut	- 880,287,68	- 1 048 594,93
	<u>- 11 867 515,40</u>	<u>- 28 260 217,04</u>
Tilikauden alijäämä	- 5 636 041 580,69	- 1 365 259 204,39

TASE

AA
CORRESPONDING

31.12.1995

31.12.1994

BANK SUPPORT SIOITUKSET:

Tukilainasaamiset		155 314 960,00
Responsibilities tuurilainat	1 400 000 000,00	1 400 000 000,00
Pääomatodistukset	4 488 838 716,06	9 343 379 097,21
O sakyaetja osuudet		1 000 000 000,00
Om. hoitoyhtiöiden osakkeet	1 800 941 428,00	1 814 007 172,00
	<u>7 689 780 144,06</u>	<u>13 712 701 229,21</u>

RAHOITUSOMAISSUUS:

Ennakomaksut		172 300 000,00
Sipulky:Imiset:		
Interests Other	155 091 352,75	160 613 134,58
ahoitusom. os		579 209 247,00
Rshares ahat and akkeet		
ja bank.	1 149 600 428,90	1 423 663 149,10
R Isäämiset	226 711 473,83	96 584 322,38
	<u>1 531 403 255,48</u>	<u>2 432 369 853,06</u>

Vastaavaa yhteensä

9 221 183 399,5416 145 071 082,27

VASTATTAVAA 31.12.1995 31.12.1994

KERTYNEET ALIJÄÄMÄT:

Alijäämä edellisiltä tilikausilta	- 4 042 671 129,50	- 2 677 411 925,11
Tilikauden alijäämä	- 5 636 041 580,69	- 1 365 259 204,39

	- 9 678 712 710,19	- 4 042 671 129,50
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VIERAS PÄÄOMA:

Pitkäaikainen vieras pääoma:

Foreigners of the law at	15 458 181 428,00	15 471 247 172,00
Domestic loans	2 833 306 141,16	3 434 250 316,65
	<hr/> 18 291 487 569,16	<hr/> 18 905 497 488,65

Lyhyt vieras pääoma:

Advance payments		724 000,00, yes.
Siirto, (live)		
Korot	334 241 594,84	379 530 194,23
Muut	274 166 945,73	178 714 528,89

608 4.03 saajien z,	282 244 723, 12
---------------------	-----------------

Vieras pääoma yhteensä:

18 899 896,11) 9, Z.y 20 187 742 211,77

Vastattavaa yhteensä

9 221 183 399,54 16 145 071 082,27

Appendices to the income statement and balance sheet

1) Interest income

Interest income from subsidized loans comprises Interest on the subsidy loan granted to the Savings Bank's Guarantee Fund.

Interest income from other financial support comprise Suomen Säästöpankki - Interest on the liability venture loan issued by SSP Oy.

Other interest income includes cash the interest received from the temporary investment of the company's funds and the interest on capital certificates issued by cooperative banks in connection with the sale of SSP's business.

2) Sales profits and others financial income

Other financial income includes FIM 411 million in capital gains from financial equity shares sold by the fund, as well as dividend income and amortization of income from long-term loans.

3) Interest expenses

Interest expenses include interest on the fund's long-term loans.

4) Other financial costs

Other financial expenses include financial assets changes in the value of listed shares, amortization of long-term loan issuance costs and other debt costs.

5) Loss on disposal and value- discounts on capital certificates and shares strange

The fund has incurred SSP loss on disposal of FIM 3,028.3 million of the principal certificates after the purchase of Property Management Company Arsenal Oy. The fund's share of the transaction was FIM 579.2 million, and the share of the banks that bought SSP's business was FIM 144.8 million. The fund has still paid the buyer banks' share to the banks.

Siltapankki Oy, which has changed to the asset management company Arsenal Silta Oy, has reduced the value of the capital certificate of the fund in its accounting by covering the bank's losses from the principal certificate by FIM 1,247.0 million. The book value of the capital certificates has been reduced by the corresponding mark in the fund's financial statements.

A write-down of FIM 1,000 million has been recorded for the Säästöpankki Keskus-Osake-Pankki (Skop) shares owned by the fund .

6) Other costs of support activities

For other expenses of support activities there is recorded FIM 123.0 million SSP's (Ornaisuußenhoitoyhtiö Arsenal-SSP Oy) taxes, court costs and public charges,

of which the fund is responsible in accordance with SSP's business transfer agreement and SSP's agreement on the liquidation of separate follow-up installments.

7) State reimbursement of the loan treatment costs h in

The fund has received compensation from the state budget for loan interest and other expenses 400 million FIM of the funds.

8) Bank-backed investments

The Savings Banks' Guarantee Fund paid to support the SSP 155.3 million FIM of mansa's support loan back in full there. According to the terms of the subsidy loan, the loan had to be paid at the latest 31.12.2002.

The fund signed in 1992 was issued by SSP tuudeventuri loan. The loan is not collected during the dust year have not been shortened.

On 31 December 1995, the fund owned oral care companies' and Skop's shares, capital certificates and liability venture loans as follows:

PANKKITUKISIJOKITUKSET 31.12.1995

	nimellisarvo	kirjanpitoarvo	osuus osakk. %	osuus äänistä %	tilikauden tuloks. (Mmk)
Skop					
Osakkeet (SP-sarja)	2 000 000 000,00	0,00	52,9 %	63,6 %	-138,0e
Pääomatodistukset	3 700 000 000,00	2 700 000 000,00	*)	*)	
Omaisuu denhoitoyhtiöt:					
Arsenal Oy .. Arsenal - Silta Oy	1 557 700 000,00	1 557 700 000,00	22,25 % ¹⁾	22,25 % ¹⁾	-5213,0e ²⁾
Capital certificates	1 788 838 716,06	1 788 838 716,06	**)	**)	9,7e
Arsenal - SSP Oy Against udeventu rit	1 400 000 000,00	1 400 000 000,00			
Resolution Company Armamentarium Oy	15 000,00	15 000,00	100,0 %	100,0 %	2,0
Resolution Company Armoury Oy	15 000,00	15 000,00	100,0 %	100,0 %	0,3
Resolution Company Reserve Oy	15 000,00	15 000,00	100,0 %	100,0 %	0,0
Resolution GGF Oy	15 000,00	15 000,00	100,0 %	100,0 %	1,1
GGF Asset Management SA	117 744 900,00	117 744 900,00	100,0 %	100,0 %	-71,4e
FerinoScandia Ltd	125 436 528,00	125 436 528,00	100,0 %	100,0 %	32,4e

*) Mikäli pääomatodistukset muutetaan niiden ehtojen mukaisesti kokonaan pankin osakkeiksi, rahaston osuus pankin kaikista osakkeista nousee 76,2 %:iin ja osuus kaikista äänistä 71,9 %:iin. Muutettaessa pääomatodistukset pankin osakkeiksi valtion merkittävien pääomatodistusten kanssa nousee valtion ja rahaston osuus kaikista osakkeista 79,9 %:iin ja osuus kaikista äänistä 76,4 %:iin. Arsenal-

konsernin osuus kaikista osakkeista 42,3 % ja osuus kaikista äänistä 35,0 % huomioonotettuna nousee valtion osuus kaikista osakkeista 98,0 %:iin ja kaikista äänistä 99,1 %:iin.

**) Mikäli pääomatodistukset muutetaan niiden ehtojen mukaisesti kokonaan pankin osakkeiksi, rahaston osuus pankin kaikista osakkeista on 24,24 % ja kaikista äänistä 28,84 %. Arsenal-

omistaa Arsenal-Silta Oy:n osakkeista 99,26 % ja äänistä 99,95 % ennen pääomatodistusten muuttamista osakkeiksi.

- 1) Valtion omistusosuus Arsenalista on 77,75 prosenttia.
- 2) Konsernin tulos = ennakkotieto.

Skopi11 Usak kcl h:rnkin's t;1 price of FIM 1,000 million.1 has been marked as worthless in the financial statements. Skop un's intention to change the guarantee fund according to the law, it is a property management company. Skopi's subsidiary Uldistuks has been registered as an accountant since its acquisition.

Omaisuu denhoitoyh Liä /rscn al-Silta Oy changed to Silta pankki Oy covered by Ir,1 against the piilio matodistn marked by the hasto in Lappinita totaling 1,247.0 million lb.

The nominal number of the capital surplus was FIM 1,106 mil.

Other! os, 1 month.cd. and liability debt, the loan is entered in the accounts at the purchase price.

12) The state guarantee fund liability commitments and not in the possession of the fund vat options

On 24 June 1993, the fund and Kansallis-Sake-Pankki entered into an agreement regarding the arrangement concerning STS-Pankki Oy, according to which the fund reimburses Kansallis-Sake-Pankki all Cooperative Eka-yhttä and Haka Oy 24.11.1992 from STS-Pankki Oy

receiving, the final losses arising from liabilities transferred to the National Bank. Osuuskunta Eka-yhtymä applied for restructuring in 1993 and Haka Oy was declared bankrupt in 1994. Assessment to be answered by the fund future losses are FIM 400 million. The final amount of the loss depends on e.g. of collateral values and realizations.

On April 11, 1994, the State Guarantee Fund subscribed to a FIM 100,000 option loan issued by Osuuspankkien Keskus pankki Oy (OKO), which was accompanied by separate option certificates. Warrants give the right to subscribe for a total of 1,500,000 OKO A series shares at a nominal value of FIM 50 31.12.1998 past.

In Helsinki on February 1, 1996

Matti Vuoria
chairman of the board

Auni-Marja Vilavaara,
vice-chairman of the board

Pertti Kettunen

Eva Liljeblom

Pentti Talanen

Liisa Halme
deputy director
deputy director

Audit report

Auditor elected by the Parliament as auditors, we have audited the financial statements and accounting and administration of the state guarantee fund for the fiscal year 1.1. -31.12.1995 to the extent required by good auditing practice.

We have familiarized ourselves with the reports prepared from the inspections.

The financial statement, which shows a deficit of FIM 5,636,041,580.69, was drawn up in accordance with the regulations in force damn it.

thus confirming the income statement and balance sheet and granting discharge from liability to the fund's board of directors and the director and the deputy director who served as the director's deputy for the financial year we audited.

KHT Pertti Sundqvist has completed the fund's internal audit.

Based on our inspection, e.g

in Helsinki
on February 6, 1996

Johannes Leppänen

Kauko Heikkinen

Iivo Polvi, JifIT, HTM

Matti Saarinen

Martti Tiuri

./ Kalervo Virtanen, KHT

IVA4 149539

State
1995

Annual report

State Guarantee Fund
1996-09-03

